

15 November 2022



## Events Round-Up

NZ: Performance of services index, Oct: 57.4 vs. 55.9 prev.

EC: Industrial production (m/m%), Sep: 0.9 vs. 0.5 exp.

## Good Morning

The new week has begun on a quiet note and with a small unwinding of some of the big moves seen post last week's downside miss to the US CPI. US Treasury yields are up 6-7bps. US equities have spent most of the session in negative territory, but are flat as we go to print. The USD has broadly strengthened with JPY and GBP, two of the largest gainers in the aftermath of the CPI, showing the largest declines. The NZD is hovering around 0.61.

Last week's big US CPI downside miss is still forefront of mind for investors, with the big question of whether this is a key market-friendly release that will ultimately see the Fed back-pedal on its very hawkish policy outlook or just noise in the data, another false dawn in the battle to bring inflation under control.

Last week, a number of Fed officials spoke after the CPI, acknowledging the better-than-expected result but warned that the tighter policy outlook hadn't changed. It looks like we'll get a rinse and repeat from more Fed officials this week, with two more officials already adding to this theme. Fed Governor Waller was out early yesterday saying "The market seems to have gotten way out in front on this...everybody should just take a deep breath—calm down. We have a way to go yet." Brainard has repeated the message overnight, saying "it will probably be appropriate soon to move to a slower pace of increases...but I think what's really important to emphasise, we've done a lot, but we have additional work to do".

The market has taken the message on board and the big moves we saw last week have not been extended, but have reversed a little. The S&P500 has spent most of the session in negative territory, and is flat as we go to print. US Treasury yields are higher across the curve, with the 2-year rate up 7bps and the 10-year rate up 6bps, both trading in tight ranges by recent standards.

In currency markets the USD has recovered some lost ground, with the DXY index up 0.5%. JPY and GBP were two of the biggest winners post-CPI on a positioning squeeze and have underperformed as the new week

begins. USD/JPY is up over 1% breaking back above 140, while GBP is down 0.6% to 1.1755. The NZD has tracked sideways slightly below last week's high and currently sits around 0.61. Same goes for the AUD, which sits around 0.67.

Going against the grain, the USD weakened against the yuan, the market responding to further signs that China's COVID restrictions in the current outbreak are much less restrictive compared to the Shanghai episode earlier in the year, and the news over the weekend that the government is looking to provide more significant support to the ailing property market. USD/CNY closed down 0.4% to just below 7.07.

The key moves on the crosses have been NZD/JPY up to 85.6, NZD/GBP up to 0.52 and NZD/CNY down to 4.31.

In other news, President Biden and Xi met in Indonesia and they are looking to restore better relations between the US and China. The countries will resume talks between senior officials and Secretary of State Blinken will visit China early next year. Biden said that the US would continue to compete with China but "this competition should not veer into conflict and underscored that the United States and China must manage the competition responsibly and maintain open lines of communication". Biden stressed to Xi that longstanding US policy towards Taiwan hasn't changed, but he raised objections to China's coercive and increasingly aggressive actions toward Taiwan.

NZ rates were higher yesterday, driven by global forces, but with some outperformance against Australia. The government launched the new May 2034 nominal green bond, where demand has been strong and price guidance was narrowed to the bottom end of the +5-8 bps spread over the April 2033 bond. NZGB yields were 4-5bps higher across the curve. Swaps showed a steepening bias, with the 2-year rate up 1bp to 4.95% and the 10-year rate up 8bps to 4.61%.

NZ's performance of services indicator was surprisingly strong, lifting to 57.4 to near the top end of its historical range. This looks to be driven by the "re-opening" theme, with the "cultural, recreational and personal" industry leading the way.

The economic calendar in the day ahead is full. REINZ housing market data are likely to show weak sales and ongoing falls in house prices. China monthly activity data

for October are expected to show ongoing weak growth momentum by Chinese standards. Japan and Euro area GDP for Q3 should show small increases. US PPI data will be less interesting, coming after last week's downside miss for the CPI. FOMC members Williams and Harker will be speaking, no doubt repeating the message to the market about not getting too excited by one good CPI print.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

## Coming Up

	Period	Cons.	Prev.	NZT
NZ REINZ house sales (y/y%)	Oct		-10.9	09:00
US Fed's Williams moderates panel				12:30
JN GDP (q/q%)	Q3	0.3	0.9	12:50
AU RBA minutes of Nov. policy meeting				13:30
CH Industrial production (y/y%)	Oct	5.2	6.3	15:00
CH Retail sales (y/y%)	Oct	0.7	2.5	15:00
CH Fixed assets investment (y/y%)	Oct	5.9	5.9	15:00
UK Unemployment rate (%)	Sep	3.5	3.5	20:00
GE ZEW survey expectations	Nov	-52.0	-59.2	23:00
EC GDP (q/q%)	Q3	0.2	0.2	23:00
US PPI ex food, energy (y/y%)	Oct	7.2	7.2	02:30
US PPI final demand (y/y%)	Oct	8.4	8.5	02:30
US Fed's Harker discusses the economic outlook				03:00

Source: Bloomberg, BNZ

Foreign Exchange							Equities				Commodities**				
Indicative overnight ranges (*)					Other FX		Major Indices				Price				
	Last	% Day	Low	High		Last	% Day			Last	% Day	% Year		Last	Net Day
NZD	0.6100	-0.0	0.6062	0.6114	CHF	0.9426	+0.1	S&P 500	3,996	+0.1	-14.7	Oil (Brent)	93.18	-2.9	
AUD	0.6703	+0.0	0.6664	0.6716	SEK	10.475	+1.0	Dow	33,837	+0.3	-6.3	Oil (WTI)	85.81	-3.5	
EUR	1.0333	-0.1	1.0272	1.0351	NOK	10.024	+0.9	Nasdaq	11,282	-0.3	-28.9	Gold	1773.2	+0.2	
GBP	1.1755	-0.6	1.1711	1.1829	HKD	7.837	+0.0	Stoxx 50	3,888	+0.5	-11.0	HRC steel	673.0	+1.7	
JPY	140.32	+1.1	139.11	140.80	CNY	7.069	-0.4	FTSE	7,385	+0.9	0.5	CRB	285.8	+1.3	
CAD	1.3309	+0.2			SGD	1.372	+0.1	DAX	14,313	+0.6	-11.1	Wheat Chic.	836.3	+0.1	
NZD/AUD	0.9100	-0.1			IDR	15,520	+0.2	CAC 40	6,609	+0.2	-6.8	Sugar	19.82	+0.9	
NZD/EUR	0.5903	-0.0			THB	35.77	-0.7	Nikkei	27,963	-1.1	-6.1	Cotton	85.27	-3.3	
NZD/GBP	0.5189	+0.6			KRW	1,327	+0.6	Shanghai	3,083	-0.1	-12.7	Coffee	167.5	-0.4	
NZD/JPY	85.60	+1.0			TWD	30.99	-0.7	ASX 200	7,146	-0.2	-4.3	WMM powder	3355	+0.1	
NZD/CAD	0.8118	+0.2			PHP	57.29	+0.0	NZX 50	11,232	-0.7	-13.4	<b>Australian Futures</b>			
NZ TWI	71.05	-0.1										3 year bond	96.72	-0.05	
												10 year bond	96.27	-0.05	
Interest Rates							NZ Government Bonds				NZ Swap Yields				
	Rates				Benchmark 10 Yr Bonds		Last		Last		Last				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	4.00	4.61	4.76	3.87	USD	3.87	0.06	NZGB 0 1/2 05/15/24	4.34	0.04	1 year	4.98	0.03		
AUD	2.85	3.03	3.85	4.43	AUD	3.76	0.11	NZGB 4 1/2 04/15/27	4.25	0.04	2 year	4.95	0.01		
NZD	3.50	4.15	4.95	4.61	NZD	4.25	0.05	NZGB 3 04/20/29	4.22	0.05	5 year	4.62	0.04		
EUR	1.50	1.76	2.92	2.87	GER	2.15	-0.01	NZGB 1 1/2 05/15/31	4.22	0.04	7 year	4.59	0.06		
GBP	3.00	3.47	4.29	3.54	GBP	3.37	0.01	NZGB 2 05/15/32	4.25	0.05	10 year	4.61	0.08		
JPY	-0.07	-0.04	0.15	0.60	JPY	0.24	0.00	NZGB 1 3/4 05/15/41	4.65	0.05	15 year	4.66	0.09		
CAD	3.75	4.63	4.32	3.65	CAD	3.15	0.01	NZGB 2 3/4 05/15/51	4.62	0.05					

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:57

Source: Bloomberg

**NZD exchange rates**

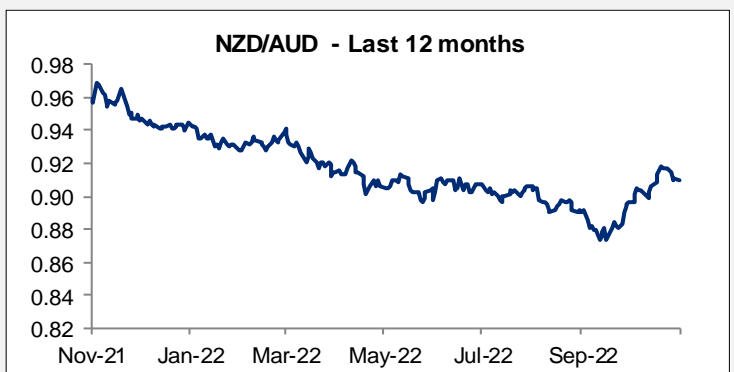
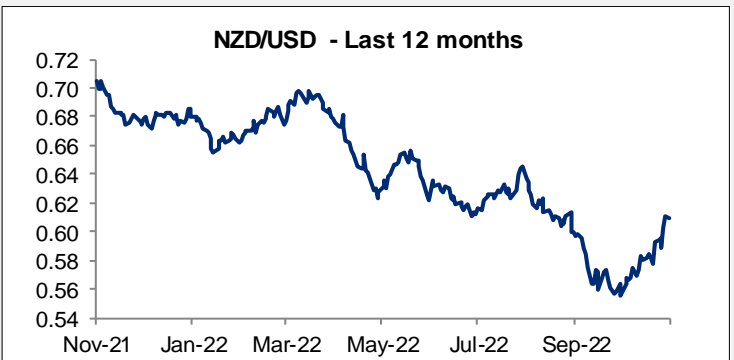
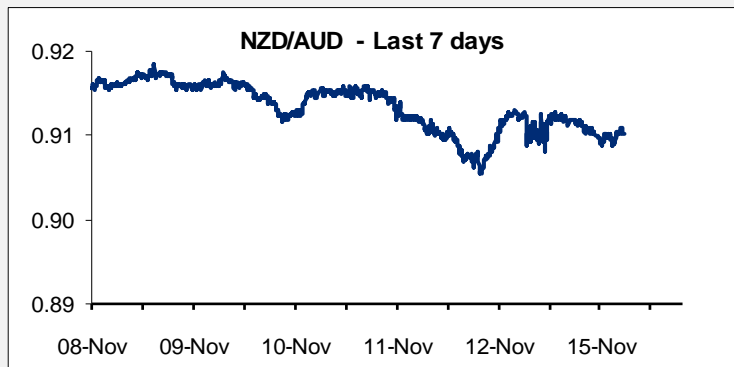
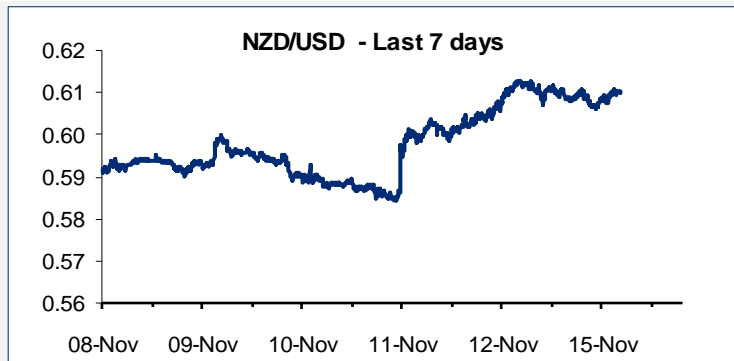
15/11/2022 6:57 am		Prev. NY close
USD	0.6100	0.6104
GBP	0.5189	0.5160
AUD	0.9100	0.9106
EUR	0.5903	0.5899
JPY	85.60	84.73
CAD	0.8118	0.8103
CHF	0.5750	0.5748
DKK	4.3912	4.3868
FJD	1.3653	1.3668
HKD	4.7806	4.7833
INR	49.57	49.33
NOK	6.1145	6.0599
PKR	135.22	135.31
PHP	34.95	34.95
PGK	2.1419	2.1448
SEK	6.3900	6.3316
SGD	0.8372	0.8373
CNY	4.3121	4.3322
THB	21.90	21.94
TOP	1.4394	1.4458
VUV	73.50	73.89
WST	1.6707	1.6930
XPF	70.87	72.96
ZAR	10.5516	10.5231

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	2.02	2.41
3 Months	9.94	10.54
6 Months	14.37	15.87
9 Months	15.22	17.48
1 Year	14.13	17.13

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-4.78	-3.92
3 Months	-18.43	-16.97
6 Months	-43.28	-39.71
9 Months	-67.02	-61.60
1 Year	-86.50	-79.21



## Contact Details

### BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Craig Ebert**

Senior Economist  
+64 4 474 6799

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets  
Strategist  
+64 4 924 7652

**Nick Smyth**

Senior Interest Rates  
Strategist  
+64 4 924 7653

### Main Offices

**Wellington**

Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

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